VAN DER HOUT ASSOCIATES LIMITED
HEAD OFFICE, 3600 LAKE SHORE BOULEVARD WEST, TORONTO 15, CANADA

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Van Der Hout
ASSOCIATES LIMITED

Semi-Annual Report to Shareholders
June 30, 1970

Van Der Hout ASSOCIATES LIMITED

TO OUR SHAREHOLDERS:

The operations of our Company for the six months ended June 30, 1970 produced a 33 per cent increase in net profit after extraordinary items over the comparable period last year.

Profit before extraordinary income amounted to $250,751 or 29.8 cents per share compared to $217,472 or 25.8 cents per share last year. Net profit after extraordinary income was $258,079 or 30.6 cents per share, compared to $193,388 or 23 cents per share. Last year's figures have been restated as explained in the notes to the financial material presented below.

Total sales under management were $8,071,806 compared to $7,873,686 in 1969. In the interest of clarity, total sales under management are shown and are broken into the two major classifications in our Company, Van Der Hout consolidated and Gabriel consolidated.

Current trends in domestic after-market sales, combined with other contracts indicate that our Gabriel plant will be operating at capacity for the foreseeable future.

Concurrently the changing mix in sales has resulted in better margins and a lesser dependence upon the vagaries of new car sales.

The operations of Goderich Tube and Steel Company, acquired late last year, are beginning to show satisfactory results.

We regard 1970 as a year of great challenge because of the current economic climate. In spite of this climate, we anticipate that 1970 will be a record year.

J. B. Van Der Hout
President

STATEMENT OF INCOME (UNAUDITED)

For the six months ended June 30, 1970	1970	1969 (note 2)
Net Sales – Van Der Hout Associates Limited and its subsidiaries	$1,574,637	$2,038,685
– Gabriel of Canada Limited and its subsidiary (note 1)	6,497,169	5,835,001
Total Net Sales under management (note 1)	8,071,806	7,873,686
Operating income – Van Der Hout Associates Limited and its subsidiaries	134,891	225,476
Less: Income taxes	65,859	123,120
Minority interest	3,430	7,850
	69,289	130,970
	65,602	94,506
Equity in net earnings of Gabriel of Canada Limited and its subsidiary (note 1)	185,149	122,966
Income before extraordinary items	250,751	217,472
Extraordinary items of profit (loss) (note 3)	7,328	(24,084)
Net Income	$ 258,079	$ 193,388
Per share income – before extraordinary items	29.8¢	25.8¢
– after extraordinary items	30.6¢	23.0¢

STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

For the six months ended June 30, 1970	1970	1969 (note 2)
SOURCE OF FUNDS		
Operations		
Net income	$ 258,079	$ 193,388
Add back items not involving a current outlay or (receipt) of funds:		
Equity in net earnings of Gabriel	(185,149)	(122,966)
Depreciation and amortization	7,265	10,053
Minority interest in profit	3,664	2,870
	83,859	83,345
Proceeds on disposal of fixed assets	2,000	4,795
Repayment of advance	1,000	—
Decrease in C.S.V. of life insurance	—	1,740
	86,859	89,880
APPLICATION OF FUNDS		
Reduction of long-term debt	2,000	2,000
Additions to fixed assets	8,906	7,686
	10,906	9,686
Increase in working capital	75,953	80,194
Working capital at beginning of period	606,071	510,840
Working capital at end of period	$ 682,024	$ 591,034

NOTES:

1. Commencing with the Annual Report for 1969, the company accounted for its 49% investment in Gabriel of Canada Limited on the equity basis. The consolidated sales of Gabriel have been incorporated into the Statement of Income for the six months ended June 30, 1970 in order that total net income of the company may be related to the total net sales managed by the company. Sales for 1969 have been restated to reflect this treatment.
2. (a) Comparative figures for the six months ended June 30, 1969 have been restated to reflect:
   (i) The treatment of Gabriel on the equity basis (see note 1)
   (ii) The extraordinary items of loss relative to the winding-up of the Nelmor Mirror Division (see note 3)
   (iii) Total sales under management as described in note 1
   (b) Included in the Van Der Hout consolidated sales in 1969 are the sales of the Nelmor Mirror Division which was wound up effective June 30, 1969. There is no comparable sales item in 1970.
   (c) Current year's sales and earnings of Gabriel include Goderich Tube and Steel Company acquired in the second half of 1969. The first half of 1969 does not include any Goderich figures.
3. The extraordinary item in 1970 is comprised mainly of:
   (i) Gain on sale of fixed assets
   (ii) Reduction of income taxes payable in Nelmor through the utilization of a tax loss carry forward.
   The extraordinary item in 1969 is the net loss relative to the winding up of the Nelmor Mirror Division.